

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 97-396-C - ORDER NO. 98-204
MARCH 18, 1998

IN RE: Application of Z-Tel, Inc. for a Certificate of) ORDER
Public Convenience and Necessity to Operate) APPROVING
as a Reseller of Interexchange) CERTIFICATE
Telecommunications Services and for)
Alternative Regulation.)

This matter comes before the Public Service Commission of South Carolina (the "Commission") by way of the Application of Z-Tel, Inc. ("Z-Tel" or the "Company") requesting a Certificate of Public Convenience and Necessity authorizing it to provide intrastate interexchange telecommunications services within the State of South Carolina through the resale of similar services offered by other interexchange carriers ("IXCs").

The Company's Application was filed pursuant to S.C. Code Ann. §58-9-280 (Supp. 1997) and the Regulations of the Public Service Commission of South Carolina. By its Application, Z-Tel also requested that all of its business service offerings be regulated in a manner similar to that approved for AT&T Communications of the Southern States, Inc. ("AT&T") by Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C.

The Commission's Executive Director instructed Z-Tel to publish, one time, a prepared Notice of Filing in newspapers of general circulation in the affected areas. The purpose of the Notice of Filing was to inform interested parties of Z-Tel's Application

and of the manner and time in which to file the appropriate pleadings for participation in the proceeding. Z-Tel complied with this instruction and provided the Commission with proof of publication of the Notice of Filing. No Petitions to Intervene was received concerning Z-Tel's Application.

A hearing was commenced on February 26, 1998, at 11:30 a.m., in the Commission's Hearing Room. The Honorable Guy Butler, Chairman, presided. Z-Tel was represented by John J. Pringle, Jr., Esquire. Florence P. Belser, Staff Counsel, represented the Commission Staff.

Tom Chubokas, President of Z-Tel, appeared and offered testimony in support of Z-Tel's Application. The record reveals that Z-Tel is a Nevada corporation which has authority from the South Carolina Secretary of State to transact business in South Carolina. According to Mr. Chubokas, Z-Tel proposes to offer long distance services using resold transmission services of underlying carriers which are duly certified by the Commission. Mr. Chubokas explained the Company's request for authority to provide interexchange telecommunications services in South Carolina as a reseller. The record reveals the Company's services, operations and marketing procedures.

Mr. Chubokas also explained that Z-Tel possesses the technical, financial and managerial abilities to provide its services in South Carolina. Mr. Chubokas testified that the Company would operate in accordance with the Commission rules, regulations, guidelines, and Commission Orders. Finally, Mr. Chubokas offered that approval of Z-Tel's Application is in the public interest as the grant of authority to Z-Tel will create

greater competition in the interexchange marketplace and will provide consumers with a greater choice

After full consideration of the applicable law, the Company's Application, and the evidence presented at the hearing, the Commission hereby issues its findings of fact and conclusions of law:

FINDINGS OF FACT

1. Z-Tel is organized as a corporation under the laws of the State of Nevada and is authorized to do business as a foreign corporation in the State of South Carolina by the Secretary of State.

2. Z-Tel operates as a non-facilities based reseller of interexchange services and wishes to provide its services in South Carolina.

3. Z-Tel has the experience, capability, and financial resources to provide the services as described in its Application.

CONCLUSIONS OF LAW

1. Based on the above findings of fact, the Commission determines that a Certificate of Public Convenience and Necessity should be granted to Z-Tel to provide intrastate interLATA service and to originate and terminate toll traffic within the same LATA, as set forth herein, through the resale of intrastate Wide Area Telecommunications Services (WATS), Message Telecommunications Service (MTS), Foreign Exchange Service, Private Line Service, or any other services authorized for resale by tariffs of carriers approved by the Commission.

2. The Commission adopts a rate design for Z-Tel for its resale of residential services which includes only maximum rate levels for each tariff charge. A rate structure incorporating maximum rate levels with the flexibility for adjustment below the maximum rate levels has been previously adopted by the Commission. In Re: Application of GTE Sprint Communications Corporation, etc., Order No. 84-622, issued in Docket No. 84-10-C (August 2, 1984).

3. Z-Tel shall not adjust its residential rates below the approved maximum level without notice to the Commission and to the public. With regard to adjustments to residential rates, Z-Tel shall file its proposed rate changes, publish its notice of such changes, and file affidavits of publication with the Commission two weeks prior to the effective date of the changes. However, the public notice requirement is waived, and therefore not required, for reductions below the maximum cap in instances which do not affect the general body of subscribers or do not constitute a general rate reduction. In Re: Application of GTE Sprint Communications, etc., Order No. 93-638, issued in Docket No. 84-10-C (July 16, 1993). Any proposed increase in the maximum rate level reflected in the tariff which would be applicable to the general body of the Company's subscribers shall constitute a general ratemaking proceeding and will be treated in accordance with the notice and hearing provisions of S. C. Code Ann. §58-9-540 (Supp. 1995).

4. With respect to business service offerings, credit card services, operator services, and customer network offerings, tariff filings will be presumed valid upon filing. If the Commission institutes an investigation of a particular filing within seven (7)

days, then the tariff filing will be suspended until further Order of the Commission. Any relaxation in the future reporting requirements that may be adopted for AT&T shall apply to Z-Tel also. Staff is instructed to monitor the Company using the same monitoring process and techniques as are used to monitor AT&T.

5. Z-Tel is subject to access charges pursuant to Commission Order No. 86-584, in which the Commission determined that for access purposes resellers should be treated similarly to facilities-based interexchange carriers.

6. With regard to the Company's resale of service, an end-user should be able to access another interexchange carrier or operator service provider if the end-user so desires.

7. Z-Tel shall resell the services of only those interexchange carriers or LECs authorized to do business in South Carolina by this Commission. If Z-Tel changes underlying carriers, it shall notify the Commission in writing.

8. With regard to the origination and termination of toll calls within the same LATA, Z-Tel shall comply with the terms of Order No. 93-462, Order Approving Stipulation and Agreement, in Docket Nos. 92-182-C, 92-183-C, and 92-200-C (June 3, 1993).

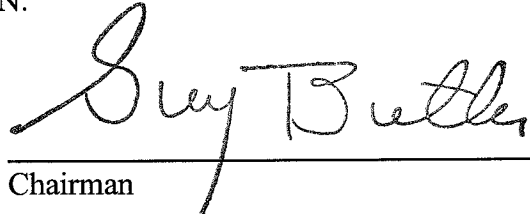
9. Z-Tel shall file surveillance reports on a calendar or fiscal year basis with the Commission as required by Order No. 88-178 in Docket No. 87-483-C. The proper form for these reports is indicated on Attachment A.

10. The Company shall, in compliance with Commission regulations, designate and maintain an authorized utility representative who is prepared to discuss, on


a regulatory level, customer relation (complaint) matters, engineering operations, tests and repairs. In addition, the Company shall provide to the Commission in writing the name of the authorized representative to be contacted in connection with general management duties as well as emergencies which occur during non-office hours. Z-Tel shall file the names, addresses and telephone numbers of these representatives with the Commission within thirty (30) days of receipt of this Order. Attachment B shall be used to file the name(s) of regulatory compliance personnel. Further, the Company shall promptly notify the Commission in writing if the representatives are replaced, and the Company is directed to comply with the Commission regulations unless waived by the Commission.

11. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Deputy Executive Director

(SEAL)

ANNUAL INFORMATION ON SOUTH CAROLINA OPERATIONS FOR INTEREXCHANGE COMPANIES AND AOS'S

COMPANY NAME

FEI NO.

ADDRESS

CITY, STATE, ZIP CODE

PHONE NUMBER

- (1) SOUTH CAROLINA OPERATING REVENUES FOR THE 12 MONTHS ENDING
DECEMBER 31 OR FISCAL YEAR ENDING _____.
- (2) SOUTH CAROLINA OPERATING EXPENSES FOR THE 12 MONTHS ENDING
DECEMBER 31 OR FISCAL YEAR ENDING _____.
- (3) RATE BASE INVESTMENT IN SOUTH CAROLINA OPERATIONS* FOR
12 MONTHS ENDING DECEMBER 31 OR FISCAL YEAR ENDING _____.
- * THIS WOULD INCLUDE GROSS PLANT, ACCUMULATED DEPRECIATION,
MATERIALS AND SUPPLIES, CASH WORKING CAPITAL, CONSTRUCTION WORK IN
PROGRESS, ACCUMULATED DEFERRED INCOME TAX, CONTRIBUTIONS IN AID OF
CONSTRUCTION AND CUSTOMER DEPOSITS.
- (4) PARENT'S CAPITAL STRUCTURE* AT DECEMBER 31 OR FISCAL YEAR ENDING
_____.
- * THIS WOULD INCLUDE ALL LONG TERM DEBT (NOT THE CURRENT PORTION
PAYABLE), PREFERRED STOCK AND COMMON EQUITY.
- (5) PARENT'S EMBEDDED COST PERCENTAGE (%) FOR LONG TERM DEBT AND
EMBEDDED COST PERCENTAGE (%) FOR PREFERRED STOCK AT YEAR ENDING
DECEMBER 31 OR FISCAL YEAR ENDING _____.
- (6) ALL DETAILS ON THE ALLOCATION METHOD USED TO DETERMINE THE AMOUNT
OF EXPENSES ALLOCATED TO SOUTH CAROLINA OPERATIONS AS WELL AS
METHOD OF ALLOCATION OF COMPANY'S RATE BASE INVESTMENT (SEE #3
ABOVE).

SIGNATURE

NAME (PLEASE TYPE OF PRINT)

TITLE

DOCKET NO. 97-396-C - ORDER NO. 98-204
MARCH 18, 1998
ATTACHMENT B

**INFORMATION OF THE AUTHORIZED UTILITY
REPRESENTATIVES FOR INTEREXCHANGE, LOCAL
AND AOS COMPANIES**

PURSUANT TO SOUTH CAROLINA PUBLIC SERVICE COMMISSION
REGULATION 103-612.2.4(b), each utility shall file and maintain with the Commission
the name, title, address, and telephone number of the persons who should be contacted in
connection with Customer Relations/Complaints.

Company Name/DBA Name

Business Address

City, State, Zip Code

Authorized Utility Representative (Please Print or Type)

Telephone Number

Fax Number

E-Mail Address

This form was completed by Signature

If you have any questions, contact the Consumer Services Department at 803-737-5230